NIKO RESOURCES LTD

ANNUAL 2001 REPORT

TABLE OF CONTENTS

CORPORATE PROFILE

Niko Resources Ltd. is an international oil and gas company focused on the Indian subcontinent and enjoys one of the highest gas netbacks in the industry. The Company's management has extensive international experience. The Company trades on The Toronto Stock Exchange under the symbol "NKO" and forms part of the TSE 300 and TSE 200 indices.

NOTICE OF ANNUAL AND SPECIAL MEETING

Shareholders are invited to attend the Company's Annual General Meeting scheduled for Thursday, September 20th, 2001 at 3:00 pm at the 400 Club, 710 – 4th Avenue S.W. Calgary, Alberta. Registered shareholders who are unable to attend are requested to complete and return the enclosed proxy form.

All amounts are in Canadian dollars unless otherwise stated. All barrel of oil equivalent (boe) figures are based on the ratio of 6 mcf = 1 barrel.

FRONT COVER:

Atwood Oceanics Vicksburg Rig drilling the Hazira A-1 appraisal well. The well was drilled in 27 metres of water approximately five kilometres offshore.

ABBREVIATIONS:

BAPEX	Bangladesh Petroleum Exploration Co. Ltd.
BCF	billion cubic feet
bbl	barrel
bbls	barrels
boe	barrel of oil equivalent (6:1)
boepd	barrels of oil equivalent (6:1) per day
bopd	barrels of oil per day
BTU	British thermal unit
mcf	thousand cubic feet
mmcf/day	million cubic feet per day
GSPC	Gujarat State Petroleum Corporation Ltd.
PSCs	Production Sharing Contracts

Corporate Highlights

FINANCIAL

($ thousands, except per share amounts)	Year ended March 31 2001	2000	Change
Petroleum and natural gas sales	**21,508**	12,570	71%
Cash flow	**12,238**	7,615	61%
$ per share, fully diluted	**0.41**	0.29	41%
Net income (loss)	**(146)**	4,228	n/a
$ per share, fully diluted	**nil**	0.16	n/a
Total assets	**78,139**	66,590	17%
Shareholders' equity	**61,974**	56,350	10%
Weighted average common shares outstanding (thousands)	**29,705**	26,621	12%
Common shares outstanding at year end,			
Basic (thousands)	**30,022**	28,468	5%
Fully diluted (thousands)	**32,785**	31,698	3%

OPERATIONS

	Year ended March 31 2001	2000	Change
Crude oil and NGL production			
Thousands of barrels	**14**	14	–
Barrels per day	**39**	37	5%
Average selling price ($ per barrel)	**38.08**	30.64	24%
Natural gas production			
Million cubic feet	**3,441**	1,981	74%
Million cubic feet per day	**9.4**	5.4	74%
Average plant outlet price ($ per mcf)	**4.90**	4.56	7%
Average delivered price ($ per mcf)	**6.18**	6.02	3%

President's Report to the Shareholders

The 2001 fiscal year was a milestone period for the Company, in which our shareholders began to realize the benefits of increased production and cash flow through appreciation of the stock price and the payment of dividends.

Left to right: Ed Sampson, Robert Ohlson

YEAR IN REVIEW

In the first half of the March 31, 2001 fiscal year the Company focused its efforts on completing and tying in the first eight wells on the Land Based Drilling Platform (LBDP) at Hazira. All of the wells were completed with gravel packs. During drilling, Niko open-hole tested a total of 11 individual zones at rates averaging 10 million cubic feet per day per zone. Actual production, and production testing, have validated the open-hole tests and confirmed that the combination of small tubing (2 7/8-inch) and gravel packs are the limiting factor for production rates. Two 12-inch flowlines were laid to connect the LBDP to the Company's onshore gas plant.

At the end of November 2000, the 36-inch pipeline from the field to the local industrial market became operational and Niko commenced production from the LBDP. Production for the last quarter of the year averaged 18 million cubic feet per day versus 9.4 million for the full year and 5.4 million for the previous year.

In March 2001, the Company drilled the A-1 appraisal well at Hazira. The well, located in 27 metres (88 feet) of water, is approximately three kilometres (two miles) from the LBDP. The results confirmed Niko's geological model, with six gas zones successfully testing gas at rates that averaged about 10 million cubic feet per day per zone.

The Company commenced shooting a 3D seismic program in April over the offshore portion of Hazira. The program has been completed and the data will be processed and interpreted over the next few months.

During the year the Niko/Reliance consortium concentrated on reprocessing and interpretation of the existing seismic data on the 12 offshore blocks in India as well as acquiring some new seismic data. The first well on these blocks is expected to spud in the current fiscal year.

During the year, the Government of India carried out its second international exploration block bid round. In June 2001, the Company was awarded a 100 percent interest in the highly prospective Surat block that provides a significant new avenue for growth. The onshore block lies only five kilometres from Hazira and is approximately eight times as large. Niko has access to an extensive 2D seismic database and information from eight wells drilled on the block over the past 25 years. The Company has committed to reprocessing the existing seismic, shooting 250 square kilometres of 3D seismic and drilling 15 wells over the next two years. Niko will commence work on the block before the end of the calendar year.

In Bangladesh, the Company has negotiated the economic terms of the joint venture with BAPEX, a subsidiary of Petrobangla, the national oil and gas company, and is awaiting final government approval.

The Company wrote off its long-term receivable of $7.3 million at this time. The money was owed to the Company pursuant to the disposition of its Nigerian interest in 1999 and was conditional on commercial production being established on the block. The third party that acquired Niko's interest has elected not to proceed with further work on the block.

In December 2000 Niko was added to the TSE 300 and 200 indices. The Company declared an annual dividend of $0.08 per share in February 2001, which was followed in June with the declaration of a quarterly dividend of $0.03 per share.

During the year cash flow rose 61 percent to $12.2 million or $0.41 per share, with the fourth quarter contributing $5.7 million or $0.19 per share. Net income before the write-off of the long-term receivable was $7.1 million, up 69 percent from the prior year.

The progress made over the past year is a result of the hard work and professional skills of our employees in Canada and on the Indian subcontinent. On behalf of our shareholders we thank them for their efforts. We also thank our Directors for their guidance over the past year.

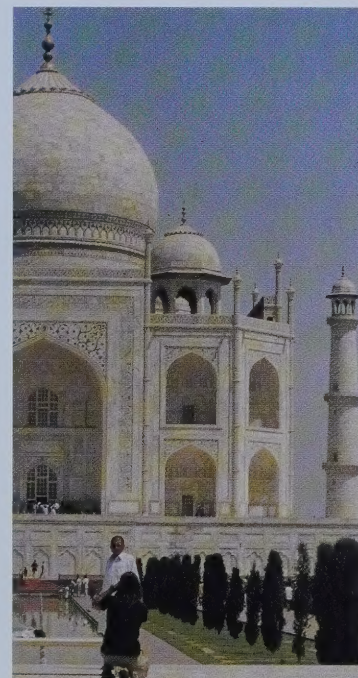
LOOKING AHEAD

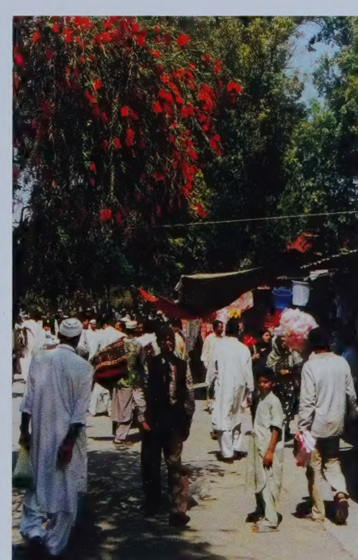
Drilling of the second set of wells on the LBDP will start in August and should double production from existing levels by early 2002. The Company also expects to begin construction of an offshore platform for Phase II of the Hazira field development before the end of 2001. During the 2002 fiscal year, Niko anticipates drilling a minimum of 10 wells on the Surat block and at least one well on the offshore blocks.

The Company will fund its current projects through cash flow. Working capital will be deployed on new opportunities and to fast track key aspects of our corporate development plan.

On behalf of the Board of Directors,

Robert N. Ohlson
President,
July 27, 2001





Operations Review

The Company's operations are focused on the Indian subcontinent with minor interests in Canada. A team of expatriate and indigenous personnel carry out the foreign operations.

GUJARAT | Hazira Field | Surat Block

INDIA

In India, Niko completed and tied-in eight gas wells during the 2001 fiscal year, drilled an offshore appraisal well, an onshore well and commenced a 3D seismic program. The Company's production averaged 9.4 million cubic feet (mmcf) per day of natural gas and 39 barrels of oil per day (bopd) in fiscal 2001, up 71percent on a boe basis from the 2000 levels of 5.4 mmcf per day and 37 bopd. The Company currently produces in excess of 20 mmcf per day.

With over one billion people, India is the largest democracy in the world. The country has a well developed legal and financial system, is the fourth largest industrial producer in the world, and is self-sufficient in all areas with the exception of energy.

India's domestic oil and gas production supplies about one-third of existing needs. The country faces huge energy import costs and is committed to expanded foreign involvement in the sector. Almost two-thirds of the country is in the early stages of exploration. The government of India has conducted three international bid rounds since 1999 and has established a number of attractive economic terms for new blocks, including tax holidays and reduced royalties.

Niko recognized the potential of India as the country opened up to foreign investment and in 1994 the Company signed separate Production Sharing Contracts (PSCs) for five fields: Hazira, Bhandut, Cambay, Matar and Sabarmati, all located in Gujarat State in western India. The Company's holdings expanded in 1999 to include interests in 12 offshore exploration blocks and expanded further in 2001 with the addition of the Surat block.

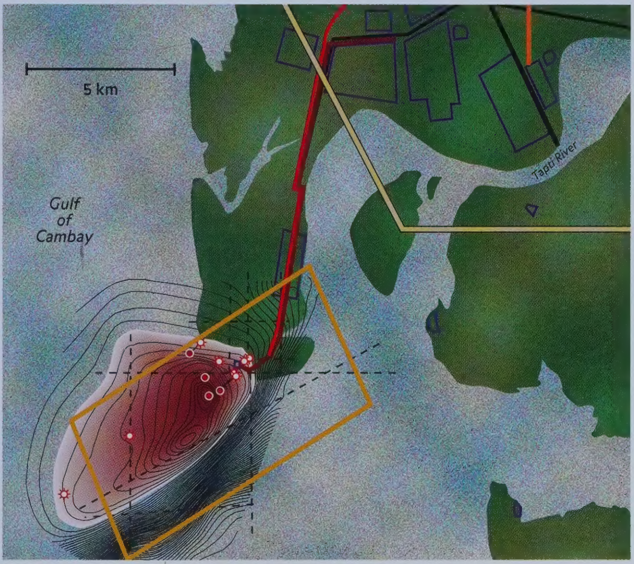
The terms of the PSCs vary on a field-by-field basis. There is neither an initial cost when a field or block is awarded nor any ongoing land rental payment. The Company makes a work commitment, provides a formula for sharing production with the federal government and agrees to abide by certain conditions. The government's share is based on a sliding scale starting at 0 percent and rising to between 30 percent and 70 percent once the Company has recovered a multiple of its investment. The government's percentage interest is applied to the cash flow from the field, net of capital expenditures. As at March 31, 2001 the

Company has recovered its investment in the Hazira field only, and the government is currently entitled to 20 percent of the operating cash flow from the field, net of capital expenditures, in the current year.

Hazira, India

Niko is the operator and holds a 33.33 percent working interest in the Hazira gas field. The field, which covers an area of 50 square kilometres, is located in a large industrial corridor about 25 kilometres southwest of the City of Surat. Field production during the last fiscal year averaged 28.2 mmcf per day gross (9.4 mmcf per day net), compared to 16.2 mmcf per day gross (5.4 mmcf per day net) in 2000.

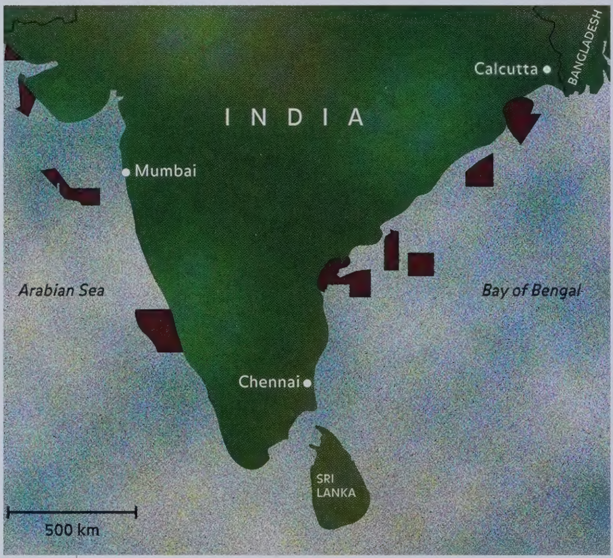
Much of the field lies offshore in the shallow waters of the Arabian Sea. The first half of the field is accessed by a 1.5 kilometre causeway that extends into the Gulf of Cambay and leads to the Land Based Drilling Platform (LBDP). To date the Company has drilled three vertical and five deviated wells from the LBDP. These wells were completed in September 2000 with gravel packs and tied back to the gas processing facilities on land by two 12-inch pipelines. Production from the LBDP wells commenced on September 21, 2000.



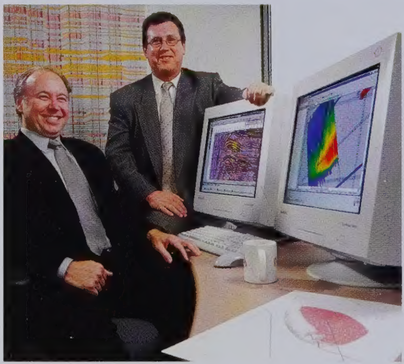
HAZIRA FIELD DEVELOPMENT

In 2000 Niko and its partner at Hazira completed construction of a 13 kilometre long, 36-inch diameter pipeline to connect the gas plant to the local industrial area. In the spring of 2000, Niko's partner attempted to unilaterally transfer the pipeline into a subsidiary and return the Company's share of the pipeline cost. Although the dispute curtailed activity during the first half of the 2001 fiscal year, both parties agreed at the end of November to focus on operations and the pipeline was commissioned. The ownership issue will be resolved through court action and the dispute resolution mechanisms in various agreements.

In March 2001, the Company drilled an offshore appraisal well at Hazira to better define reserves. The well was drilled in 27 metres of water, approximately three kilometres from the LBDP and northwest



INDIA | NELP Blocks



Left to right: Jean Paul Roy, William Hornaday

of the proposed location of the offshore platform. The well was drilled, logged, tested and abandoned, as planned, on schedule and under-budget. Testing of the well was designed to verify reservoir fluid contents in order to evaluate reserves, and the zones were flowed for short periods only. The cumulative flow rate from six gas zones was 70 mmcf per day. An oil-bearing zone was also discovered but was not tested due to limitations of the surface testing equipment and environmental concerns in handling the produced oil. At the same time, another operator drilled an offset well approximately one kilometre west of the Hazira block boundary. Both wells confirm the Company's geological model and indicate that the Hazira field extends off the block boundary, as was previously suggested.

To further refine our interpretation and optimize development, Niko shot a 3D seismic survey over the offshore portion of the Hazira block during May 2001. The data from this survey is being processed and interpreted this summer.

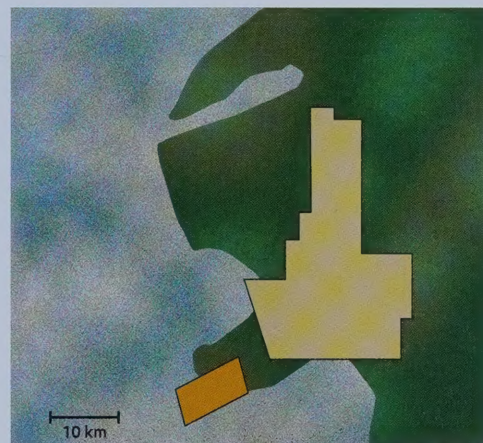
Moving forward, we expect to commence the final stage of development of the LBDP in August, which includes drilling eight additional wells. Niko is currently twinning the gas processing facilities on land to provide sufficient processing capacity for the increased production. The Company has also finalized the engineering design of the offshore production platform for Phase II development of Hazira and will tender a contract for engineering, procurement, installation and commissioning of the platform after final government approval is obtained. Niko expects to award the EPIC contract in late 2001, with construction scheduled to start prior to year-end.

Offshore India

Niko has a 10 percent non-operated interest in 12 offshore blocks covering a total of 23 million acres. Over the past year geophysical and geologic work has been conducted on all the blocks as part of the work commitment. Work continues and it is anticipated that drilling will commence on at least one block in the current fiscal year.

Surat, India

At the end of March 2001, the Company participated in India's latest exploration block bid round. The Company was awarded a 100 percent interest in the Surat block in June and signed the PSC in July. The block is over 400 square kilometres in size, has 1,000 kilometres of 2D seismic coverage and information from eight wells drilled over the past 25 years. A number of bright spot anomalies, similar to those in Hazira, have been identified based on initial work, and the Company expects to start drilling on the block by the end of 2001. The terms of the PSC require the Company to reprocess the existing seismic, drill 15 wells and shoot 250 square kilometres of 3D seismic over a two-year period. A second two-year commitment, which is dependent on the results of the first phase, requires the drilling of five additional wells and the shooting of an additional 50 square kilometres of 3D seismic. The Company is required to return a portion of the block at the end of each commitment phase.



SURAT | Surat Block | Hazira Field

BANGLADESH

In 1997 Niko identified Bangladesh as an area of focus based on its large reserve potential and its geographic proximity to the Company's Indian operations. In early 2000, the Company and BAPEX, a subsidiary of Petrobangla, the national oil and gas company, carried out an evaluation of the Chattak, Feni and Kamta gas fields and prepared a development plan. All of the fields have produced gas, have existing infrastructure and are connected to the pipeline grid. An agreement between the parties, which defines such terms as capital budgets, fiscal regime, working interest percentages and marketing rights, has been negotiated and is awaiting final approval.

BANGLADESH | Pipelines

LAND HOLDINGS

The following table sets out Niko's undeveloped and developed land position at March 31, 2001.

	Undeveloped[1]		Developed		Total	
	Gross Acres[2]	Net Acres[3]	Gross Acres[2]	Net Acres[3]	Gross Acres[2]	Net Acres[3]
India	22,707,390	2,270,739	55,000	18,500	22,762,390	2,289,239
Canada	–	–	720	324	720	324
Total	22,707,390	2,270,739	55,720	18,824	22,763,110	2,289,563

Notes:

(1) *"Undeveloped land position" refers to those lands in which Niko has an interest and which have not been assigned reserves.*

(2) *"Gross Acres" means the acres of land in which Niko has a working interest.*

(3) *"Net Acres" means the sum of the products obtained by multiplying the number of gross acres by Niko's percentage working interest therein.*

RESERVES

The Company's petroleum reserves have been evaluated as at April 1, 2001, by Ryder Scott Company (99%) and the April 1, 2000 report by Chapman Petroleum Engineering Ltd. (1%) has been rolled forward and used. The following table summarises the key information of these reserves:

RESERVES CATEGORY

	Gas		Oil		Cumulative Cash Flow Values Before Income Taxes Discounted at[2]			
	Gross[1] (mmcf)	Net[1] (mmcf)	Gross[1] (mstb)	Net[1] (mstb)	0% (M$)	10% (M$)	15% (M$)	20% (M$)
Constant prices								
Proved producing	39,585	39,585		73	$134,044	$103,825	$ 92,419	$ 83,517
Proved undeveloped	83,094	83,094		138	260,572	169,904	141,200	119,071
Total proved	122,679	122,679		211	394,616	273,729	233,619	202,588
Probable	71,228	71,228		–	247,000	139,848	109,816	88,025
Total proved + probable	193,907	193,907		211	641,616	413,577	343,435	290,613
50% reduction for risk	(35,614)	(35,614)		–	(123,500)	(69,924)	(54,908)	(44,013)
Risked proved + probable	158,293	158,293		211	$518,116	$343,653	$288,527	$246,600

(1) *"Gross" reserves are the total remaining recoverable reserves owned by Niko before deduction of royalties.*
"Net" reserves are defined as those acquiring to Niko after all royalty interests owned by others, including Crown and freehold royalties, have been deducted.

(2) *The pricing forecast used in determining the value of cash flow is based on the contracted gas price.*

MARKETING

Indian domestic production meets about one-third of current demand, a figure that is expected to decrease to less than one-quarter over the next ten years. The country is in the midst of a huge infrastructure expansion that includes pipelines, refineries and liquified natural gas (LNG) terminals.

Competing fuel sources for the Company's gas are naphtha, in the short term, and LNG in the medium and long term. Naptha is currently almost twice the cost per million BTU, while LNG is expected to land in India at approximately US$4.50 per million BTU. Niko's current gas price of US$3.45 to US$3.75 per mcf provides a competitive advantage to the Company and is a real price incentive to users.

The Company has the right, under all its Indian PSCs, to freely market the natural gas it produces. Gujarat is one of the most industrialized states in India and the Hazira field and Surat block are located adjacent to several large industries. The Hazira area is serviced by the 36-inch pipeline and two pipelines owned by Gujarat Gas Company Limited (GGCL), the Indian subsidiary of British Gas, including a 75 kilometre, 18-inch pipeline and a 33 kilometre, 8-inch pipeline. Both GGCL pipelines also cross part of the Surat block. The national gas pipeline and its main terminal, are located inside the Surat block about 12 kilometres from the end of the 36-inch pipeline.

Niko and its partner have signed six gas contracts for the sale of gas from the Hazira field and discussions for additional sales are in various stages with industrial and other types of users. Under the terms of the contracts, the gas purchaser pays the royalty and sales tax levied by the government on top of the contracted gas price. All contracts are supported by financial guarantees. With the exception of the GGCL contract, which expires in June 2002, all contracts are U.S. dollar denominated with prices at the Indian Rupee equivalent of US$3.45 to $3.75 per mcf. The U.S. equivalent price is a fixed price until November 2004, with the Rupee price floating based on the Indian Rupee/US$ exchange rate. Provision exists for a five-year renewal at prices negotiated in the context of the prevailing market at that time. All of the contracts contain a take-or-pay and/or supply-or-pay provision.

Under the terms of the contract signed with GGCL in June 1997, the gas is sold at an Indian Rupee-denominated price of five Indian Rupees per cubic metre (C$4.72 per mcf at current exchange rates). GGCL is currently required to purchase 20 mmcf per day and is entitled to a maximum of 25 mmcf per day. It has purchased an average of 19.4 mmcf per day or 69 percent of field sales in the 2001 fiscal year and is currently purchasing between 20 and 25 mmcf per day.

Another gas contract, covering a minimum of 8.8 mmcf per day, was signed in February 2000 with Essar Steel Limited and Essar Power Limited, for an industrial complex located 2.5 kilometres from the Hazira gas plant. Gas deliveries under this contract started in November 2000 when the 36-inch pipeline became operational. The gas price is at the Indian Rupee equivalent of US$3.45 per mcf for the first 8.8 mmcf per day, plus 10 percent, and the Indian Rupee equivalent of US$3.75 per mcf thereafter. Essar purchased an average of 13.5 mmcf per day in the first quarter of fiscal 2002. In July 2002, sales to Essar were temporarily suspended due to Essar's failure to comply with its contractual obligation. The Company is working with Essar to resolve the situation in order to allow sales to resume.

Niko holds other gas contracts with various Gujarat State entities including Gujarat State Energy Generation Limited (30 mmcf per day), Gujarat Alkalies & Chemicals (18 mmcf per day), Gujarat Powergen Energy Corporation (7.5 mmcf per day) and Gujarat State Electricity Board (7.5 mmcf per day). All are five-year contracts with the gas price set at the Indian Rupee equivalent of US$3.45 per mcf. Sales under these contracts are scheduled to start in the fall of 2001 and spring of 2002.

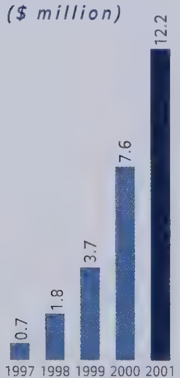
The Company's crude oil production is sold at international prices. In the case of the Company's Bhandut production, the oil is sold to an Indian Government company based on Nigerian Bonny Lite, which trades at a discount of about US$1.50 per barrel to West Texas Intermediate (WTI), adjusted for quality differences. Canadian crude prices are based on WTI prices adjusted for quality and transportation.

Management's Discussion and Analysis

The Company's activities are focused on the Indian subcontinent with minor interests in Canada. Over the past year revenue and expenses were generated in India and Canada and capital expenditures were made in India, Bangladesh and Canada. The Company's activities are carried out in the currencies of each country as well as the U.S. dollar.

REVENUE
($ million)

CASH FLOW
($ million)



RESULTS OF OPERATIONS

The Company continued to record strong growth in most categories during the fiscal year ended March 31, 2001. Revenues increased 71 percent to $21.5 million, from $12.6 million the previous year. This increase was primarily due to a 74 percent increase in gas production, which rose to 9.4 mmcf per day from 5.4 mmcf per day in 2000. Cash flow from operations increased 61 percent to $12.2 million or $0.41 per share in 2001 from $7.6 million, or $0.29 per share, in the prior year. Niko incurred a loss of $0.1 million or nil per share in 2001 due to the write-off of its $7.3 million long-term receivable. Before the write-off, the Company had net income of $7.2 million. Net income for the 2000 fiscal year was $4.2 million or $0.16 per share. The operating results by country are outlined in the table below.

For the year ended	March 31, 2001			March 31, 2000		
($000)	India	Canada	Total	India	Canada	Total
Revenue	$21,102	$406	$21,508	$12,226	$344	$12,570
Royalty	(5,600)	(55)	(5,655)	(3,359)	(57)	(3,416)
Operating expenses	(1,264)	(120)	(1,384)	(1,046)	(89)	(1,135)
Net operating income	$14,238	$232	$14,469	$7,821	$198	8,019
Daily production						
Oil (bbls)	12	27	39	9	28	37
Gas (mcf)	9,400	–	9,400	5,413	–	5,413
Boe	1,579	27	1,606	912	28	940

The Company's fourth quarter production averaged 18 mmcf per day compared to 9.4 mmcf per day for the full year. The unaudited fourth quarter results, excluding the write-off of the long-term receivable and the donations, included cash flow of $5.7 million or $0.19 per share and net income of $3.9 million or $0.13 per share.

INDIA

Revenue and Royalties

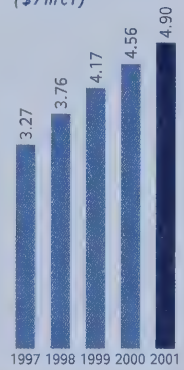
Revenues from India account for 98 percent of the Company's total. In the fiscal year revenue was \$21.1 million compared to \$12.2 million in 2000. Average daily gas production in India increased by 74 percent during the year to 9.4 mmcf per day from 5.4 mmcf per day the previous year due to an increase in the number of wells onstream. Current gas production is between 20 and 25 mmcf per day. Oil production increased to 12 bopd in fiscal 2001 from 9 in the prior year and is currently at 12 bopd.

The Company received an average plant outlet price of \$4.90 per mcf for its gas during the year, up 7 percent from \$4.56 per mcf in the previous year. The current average gas price is \$5.22 per mcf, which will increase slightly later this year as deliveries under new gas contracts commence at \$5.24 per mcf (US\$3.45 based on current exchange rate). Oil prices averaged \$35.05 per barrel compared to \$28.20 in the prior year.

Under the terms of the gas contracts the purchaser is responsible for all royalties and sales taxes, charges that are levied by the government and which vary according to the type of purchaser. In the last year Niko charged and remitted \$4.4 million or \$1.28 per mcf (2000 – \$2.9 million, or \$1.46 per mcf) in royalties and taxes to gas purchasers on top of the average price, increasing the average purchaser's cost to \$6.18 per mcf.

The remaining \$1.2 million (1999 – \$0.4 million) in royalties represents profit petroleum payments made to the Government of India pursuant to the terms of the Hazira PSC. The Company continues to be in a profit petroleum situation and will be paying the Government of India 20 percent of the cash flow from the Hazira field after deducting capital expenditures.

GAS PRICE
(\$/mcf)



Operating Expenses

On a boe basis, operating costs in India for the year ended March 31, 2001 decreased 30 percent to \$2.19 per boe from the prior year's \$3.13 per boe, reflecting higher volumes. Overall operating expenses increased to \$1.3 million from \$1 million. The ongoing increases in production volumes at Hazira will require nominal increases in staff, which will further lower the operating costs on a boe basis in the current fiscal year.

CANADA

Revenue, Royalties and Operating Costs

Revenue for the Company's Canadian property increased to $406,000 from $344,000 during the year. Production was essentially flat at 27 bopd compared to 28 bopd in the previous year. The oil price averaged $39.45 per barrel, up from $31.45 per barrel last year. Royalty income was $23,000 compared to $18,000, while royalty expense was $54,000 versus $57,000 in the previous year. Operating expenses were $120,000 compared to $89,000 in 2000.

QUARTERLY INFORMATION

The following table sets forth selected financial information of the Corporation for each financial quarter of the Corporation during the years ended March 31, 2001 and March 31, 2000.

($thousands except for per share amounts)	Three Months Ended				
	June 30, 2000	Sept 30, 2000	Dec 31, 2000	**March 31, 2001**	Total
Petroleum and Natural Gas Sales	2,835	3,995	4,852	**9,826**	21,508
Cash Flow from Operations					
Per share					
- basic	0.07	0.08	0.09	**0.17**	0.41
- fully diluted	0.07	0.08	0.09	**0.17**	0.41
Net Income (loss)					
Per share					
- basic	0.04	0.04	0.04	**(0.12)**	Nil
- fully diluted	0.04	0.04	0.04	**(0.12)**	Nil

($thousands except for per share amounts)	Three Months Ended				
	June 30, 1999	Sept 30, 1999	Dec 31, 1999	March 31, 2000	Total
Petroleum and Natural Gas Sales	2,232	3,097	3,484	3,757	12,570
Cash Flow from Operations					
Per share					
- basic	0.05	0.07	0.08	0.09	0.29
- fully diluted	0.05	0.07	0.08	0.09	0.29
Net Income					
Per share					
- basic	0.03	0.04	0.05	0.04	0.16
- fully diluted	0.03	0.04	0.05	0.04	0.16

CORPORATE

Interest and Other Income

The Company, which invests its excess cash balance in Canada and India, generated interest and other income of $1.7 million, compared to $0.7 million in the prior year. The funds are invested in banker's acceptances and other similar instruments. Canada accounted for $1.4 million (2000 – $0.5 million) of the fiscal 2001 amount, while the balance was earned in India.

General and Administrative Expenses

General and administrative expenses were $2.3 million in fiscal 2001 compared to $1.1 million in 2000. The increase was mainly due to a one-time corporate donation of $0.5 million in response to the earthquake in India and a bonus payment to two senior officers of $150,000 each. The donation was part of the Company's ongoing efforts to build Niko's profile and relationship in India.

Foreign Exchange

The Company recorded a foreign exchange gain of $804,000 in the 2001 fiscal year compared to a gain of $567,000 in 2000. The major portion of the gain arose from the translation of U.S. dollar-denominated assets.

Depletion and Depreciation Expenses

Depletion and depreciation expense was $1.6 million compared to $0.6 million in 2000. Depletion in India was $1.55 million or $2.75 per boe compared to $473,000 or $1.42 per boe in 2000. In Canada depletion declined to $18,000 or $1.88 per barrel, versus $81,000 in 2000. Depreciation expense was $19,000 in 2001 compared to $18,000 in 2000. The future site restoration provision was $17,000 in 2001, up slightly from the fiscal 2000 figure of $15,000.

Income Taxes

The overall tax provision for fiscal 2001 is 45 percent of income before the writedown of the long-term receivable, compared to 45 percent for the previous year. The Company's future tax provision was $4.3 million compared to $2.9 million a year ago. Current taxes of $1.6 million for the 2001 fiscal year include the Indian taxes of $1.5 million (2000 – $465,000) and provincial taxes of $0.1 million (2000 – $12,000). The minimum alternative tax paid in India in the past has been used to offset taxes payable in the 2001 fiscal year. Niko will incur and pay a significantly higher percentage of current taxes in India during the current year, with the amount dependant on the Company's capital program on the Surat block and Hazira field.

Capital Expenditures

Capital expenditures during the year were $11.7 million for each of the last two fiscal years. The Company spent $11.0 million (2000 – $8.9 million) in India and $0.7 million (2000 – $0.7 million) in Bangladesh.

Long-term Receivable

In the 2000 fiscal year the Company sold its Nigerian assets to a large Canadian oil and gas company. Under the terms of the agreements, the Company received cash at closing, had a note forgiven and was entitled to US$6 million in future payments if and when commercial production was established. Niko recorded a long-term receivable equal to the discounted value of the US$6 million in payments, assuming a three-year development cycle and a 9 percent discount rate. In June 2001, the acquirer informed Niko that it would not proceed with any additional work on the block and accordingly the full value of the receivable ($7.3 million) has been written off at this time. (Refer also to Note 3 of the March 31, 2001 financial statements.)

Dividend

In February 2001 the Company declared an annual dividend of $0.08 per share, reflecting the desire of the Company's Directors to share the benefits of the increased production in India with shareholders. The record date of the dividend was March 1, 2001, with a payment date of March 15, 2001. The total cost of the dividend was just over $2.4 million. The Company also declared a quarterly dividend of $0.03 per share ($0.9 million gross cost) in June 2001. While the Company intends to pursue a policy of paying quarterly dividends, the level of future dividends will be determined by the Board of Directors in light of earnings from operations, capital requirements and the financial condition of the Company. There are no contractual restrictions on the Company's ability to pay dividends.

Share Buyback

On August 22, 2000 Niko initiated a normal course issuer bid to purchase up to 10 percent of the public float of the Company's outstanding common shares or 1,486,264 common shares. During the last fiscal year, just under 238,000 common shares were purchased at prices ranging from $5.50 to $7.00 per share. The average price paid was $6.04 per share. The normal course issuer bid will expire on August 21, 2001. Niko intends to seek regulatory approval to renew the bid at that time as the Company continues to believe that the current price of the common shares does not reflect the underlying value of the shares and that the proposed purchase is in the best interests of the Company.

Liquidity and Capital Resources

Niko has financed its growth through cash flow and private equity placements. The Company currently has a $2,000,000 operating line at a major Canadian chartered bank. In the 2001 fiscal year the Company raised $9.6 million (2000 – $22 million) in equity through the exercise of options. A total of $1.4 million was spent repurchasing and cancelling 237,700 common shares and $2.4 million was paid as a common share dividend.

At March 31, 2001 the Company had working capital of $30 million which included $28.3 million of cash and cash equivalents. Niko anticipates funding all of its current obligations from cash flow, enabling the Company to take advantage of opportunities in its focus area.

Net Asset Value

The following table calculates the net asset value of the Company at a discount rate of 10 percent before tax, as at March 31, 2001, under a constant price scenario.

NET ASSET VALUE

(thousands except per share amounts)	10%	Per Share
NAV @ 10% Before Tax		
Reserves – proved producing	$ [1]103,825	$ 3.17
– proved undeveloped	169,904	5.18
– probable @ 50%	69,924	2.13
Undeveloped land	45,505	1.39
Working capital	29,969	0.91
Proceeds on dilution	16,465	0.50
Total value	$ 435,592	$ 13.28
Number of fully diluted shares	32,785	

(1) 1% of the reserve total is based on an April 1, 2000 report.

Risks

The Company is exposed to fluctuations in foreign currency exchange rates, commodity prices and concentrated sales. The extent and complexity of the exchange risks have been reduced by efforts to denominate revenues in one currency, the U.S. dollar (62 percent of current revenue), and expenses in a mix of U.S. and local currencies. In addition, the Company engages in the periodic use of derivative financial instruments to reduce the currency risk between the U.S. and Canadian dollar. The Company's financial risk profile at March 31, 2001 is described in Note 10 to the Consolidated Financial Statements. Natural gas prices are generally influenced by local market supply and demand. The Company's gas production in India is currently sold under five-year fixed-price contracts. Moving forward the Company will continue to enter into gas contracts in India for three- to five-year terms on a U.S. dollar basis. In the 2001 fiscal year, the Company sold gas to two customers. Failure by any of the two customers to purchase gas would have a negative impact on the Company's cash flows and revenue, until such time as alternative purchasers could be arranged. For example, the Company has suspended sales to Essar in July 2001, reducing the Company's daily production by just over 13 mmcf per day. The Company is minimizing this risk by increasing the number of gas purchasers and has signed four additional contracts that will become effective over the fall and winter.

Management's Report

All information in this Annual Report is the responsibility of Management. The financial statements necessarily include amounts that are based on estimates, which have been objectively developed by Management using all relevant information. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains a system of internal accounting control designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorised and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Audit Committee of the Board of Directors, comprised of non-management directors, has reviewed the financial statements with Management and KPMG. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Robert N. Ohlson
President
August 9, 2001

Paul D. Wright
Vice-President Finance

Auditors' Report

To the Shareholders of
Niko Resources Ltd.

We have audited the consolidated balance sheets of Niko Resources Ltd. as at March 31, 2001 and 2000 and the consolidated statements of operations and retained earnings (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
August 9, 2001

Consolidated Balance Sheets

As at March 31	2001	2000
ASSETS		
Current assets		
Cash	$ 28,283,616	$ 22,879,620
Accounts receivable	9,096,896	6,358,520
Prepaid expenses	12,177	9,333
	37,392,689	29,247,473
Long-term receivable (note 3)	–	6,707,359
Property and equipment (note 4)	40,746,255	30,634,986
	$ 78,138,944	$ 66,589,818
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 7,423,752	$ 5,777,793
Future removal and site restoration costs	58,379	41,209
Future tax liability	8,682,762	4,420,549
SHAREHOLDERS' EQUITY		
Share capital (note 6)	63,472,902	54,361,077
Retained earnings (deficit)	(1,498,851)	1,989,190
	61,974,051	56,350,267
	$ 78,138,944	$ 66,589,818

Subsequent events (note 11)
See accompanying notes to Consolidated Financial Statements

Approved by the Board,

Robert N. Ohlson
Director

Conrad P. Kathol
Director

Consolidated Statements of Operations and Retained Earnings (Deficit)

Years ended March 31	2001	2000
Revenue		
Oil and gas	$ 21,507,894	$ 12,570,188
Royalties	(5,654,715)	(3,415,702)
Interest and other	1,661,187	704,322
	17,514,366	9,858,808
Expenses		
Production	1,383,779	1,134,796
General and administrative	2,255,562	1,060,088
Foreign exchange gain	(803,931)	(567,308)
Depletion and depreciation	1,609,868	587,150
	4,445,278	2,214,726
Income before the following:	13,069,088	7,644,082
Write down of long-term receivable	7,310,931	–
Income before income taxes	5,758,157	7,644,082
Income taxes (note 7)		
Current	1,637,419	476,981
Future	4,266,668	2,939,136
	5,904,087	3,416,117
Net income (loss)	(145,930)	4,227,965
Retained earnings (deficit), beginning of year	1,989,190	(2,238,775)
Normal course issuer bid purchases (note 6)	(937,605)	–
Dividends paid	(2,404,506)	–
Retained earnings (deficit), end of year	$ (1,498,851)	$ 1,989,190
Income per share (note 6)	$ nil	$ 0.16

See accompanying notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

Years ended March 31	2001	2000
Cash provided by (used in):		
Operating activities		
Net income (loss)	$ (145,930)	$ 4,227,965
Add items not involving cash from operations:		
Depletion and depreciation	1,609,868	587,150
Future income taxes	4,266,668	2,939,136
Foreign exchange gain	(803,931)	(139,593)
Writedown of long-term receivable	7,310,931	–
Cash flow from operations	12,237,606	7,614,658
Change in non-cash working capital	(894,902)	(1,481,801)
	11,342,704	6,132,857
Financing activities		
Proceeds from issuance of share capital, net of issuance costs	9,611,294	22,015,751
Repurchase of common shares	(1,441,529)	–
Dividends paid	(2,404,506)	–
	5,765,259	22,015,751
Investing activities		
Acquisition of property and equipment	(11,703,967)	(11,656,851)
Decrease in long-term investment	–	626,711
Disposition of property and equipment	–	5,364,521
	(11,703,967)	(5,665,619)
Increase in cash	5,403,996	22,482,989
Cash, beginning of year	22,879,620	396,631
Cash, end of year	$ 28,283,616	$ 22,879,620
Cash flow from operations per share (note 6)	$ 0.41	$ 0.29
Supplemental information:		
Interest paid	$ 3,400	$ 667,000
Taxes paid	$ 1,741,000	$ 669,000

See accompanying notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. COMPANY ACTIVITIES

Niko Resources Ltd's (the "Company") business consists of the exploration for and development of petroleum and natural gas. The Company's business is carried on primarily in India, Canada, and Bangladesh. The consolidated financial statements include the accounts of the Company, which is incorporated under the laws of Alberta together with the accounts of its wholly owned subsidiaries, which are incorporated under the laws of the Barbados and Grand Caymans.

2. ACCOUNTING POLICIES

(a) Exploration and development costs

The Company follows the Canadian full cost method of accounting whereby all costs related to the exploration for and development of oil and gas reserves are initially capitalized and accumulated in cost centres by country. Costs capitalized include land and acquisition costs, geological and geophysical expenses, interest costs on major development projects (until commercial production commences), costs of drilling productive and non-productive wells, gathering and production facilities and equipment, and financing and administrative costs related to capital projects. Gains or losses are not recognized upon disposition of oil and gas properties unless such disposition would significantly alter the related cost centre's rate of depletion and depreciation.

Costs capitalized are depleted and depreciated using the unit-of-production method by cost centre based upon net proven oil and gas reserves as determined by independent engineers. For purposes of the calculation, oil and gas reserves are converted to a common unit of measure on the basis of their relative energy content.

Estimated future site restoration and abandonment costs are provided for using the unit of production method. These include the costs of production equipment removal and environmental cleanup based upon regulations and economic circumstances at year end. The current year's provision for future removal and site restoration costs is included in depletion and depreciation expense.

In applying the full cost method, the Company performs a ceiling test which restricts the capitalized costs less accumulated depletion and depreciation for each cost centre from exceeding an amount equal to the estimated undiscounted value of future net revenues from proven oil and gas reserves, based on current prices and costs, after deducting estimated future general and administrative expenses, financing costs and income taxes.

The amounts recorded for depletion and depreciation of exploration and development costs, the provision for future removal and site restoration costs and the ceiling test are based on estimated proven reserves, production rates, future oil and natural gas prices and future costs. By their nature, these estimates are subject to measurement uncertainty and changes in such estimates may have a material impact on the financial statements of future periods.

(b) Joint venture accounting

Substantially all of the exploration and production activities of the Company are conducted jointly with others and accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

(c) Depreciation

Office and other equipment is depreciated using the declining balance method at rates of 20% – 30% per annum.

(d) Foreign currency translation

The financial statements are stated in Canadian dollars. Foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenues and expenses, except depletion and depreciation, are translated at the average exchange rates for the year. Depletion and depreciation are translated at the same rate as the related assets. Gains or losses on translation are included in net income for the year, except for those relating to long-term monetary items, which are deferred and amortized over the remaining terms of the related items.

(e) Financial instruments

The Company from time to time employs financial instruments to manage exposures related to Canada/US exchange rates. These instruments are not used for speculative trading purposes.

(f) Income taxes

The Company follows the tax liability method of accounting for income taxes. The method was adopted with restatement of prior years effective March 31, 1999. There was no change to the March 31, 1999 tax provision as a result of adopting the new method. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs.

(g) Measurement uncertainty

The carrying values of property and equipment, including acquired probable reserves, are subject to uncertainty associated with the quantity of oil and gas reserves, future production rates, commodity prices and other factors. Future events could result in material changes to the carrying values recognized in the financial statements. The Company participates in international joint ventures to which the ultimate finalization of definitive terms of arrangements may alter the degree of involvement in the particular project. These terms are subject to change over an extended period of time.

(h) Income and cash flow from operations per share

Income per share is computed by dividing income by the weighted average number of shares outstanding. Cash flow from operations per share is computed by dividing cash flow from operations by the weighted average number of shares outstanding. Fully diluted income per share and cash flow from operations per share are determined using the imputed earnings method as if all potentially dilutive securities had been converted at the later of the beginning of the year or on the date of issue.

(i) Comparative amounts

Certain comparative amounts have been reclassified to conform with the presentation format adopted in the current year.

3. LONG-TERM RECEIVABLE

On November 30, 1999, the Company, its Nigerian partner and a third party entered into a series of agreements whereby the Company disposed of its interest in Block OPL 226 in Nigeria to the third party. The transaction received Nigerian government consent and closed at the end of March 2000. Under the terms of the agreements, the Company received US$4 million at closing and the note payable of US$5 million was cancelled. The agreement provides that the Company would receive a further US$3.5 million upon establishment of commercial production and US$2.5 million one year later. As at March 31, 2000, the third party had a work program to further evaluate the block as well as an overall project development timeline supporting the long-term receivable. Subsequent to March 31, 2001, the third party has ceased the work program on the block and the receivable was written-off.

4. PROPERTY AND EQUIPMENT

2001	Cost	Accumulated Depletion and Depreciation	Net Book Value
Oil and gas			
India	$ 41,030,046	$ 2,456,031	$ 38,574,015
Canada	1,046,078	907,555	138,523
Bangladesh	1,562,775	–	1,562,775
Other	395,335	–	395,335
Corporate and other	130,971	55,364	75,607
	$ 44,165,205	$ 3,418,950	$ 40,746,255

2000	Cost	Accumulated Depletion and Depreciation	Net Book Value
Oil and gas			
India	$ 30,036,547	$ 900,130	$ 29,136,417
Canada	1,044,140	889,761	154,379
Bangladesh	813,955	–	813,955
Other	482,702	–	482,702
Corporate and other	83,894	36,361	47,533
	$ 32,461,238	$ 1,826,252	$ 30,634,986

Future removal and site restoration costs are estimated to be $281,322 (2000 – $257,940) of which $17,170 (2000 – $14,959) has been charged to income in the current year.

Costs of $3,013,865 (2000 – $1,296,657) associated with the Company's undeveloped properties in Bangladesh, and other areas have been excluded from costs subject to depletion and depreciation.

5. BANK INDEBTEDNESS

The Company has a $2,000,000 operating loan facility with a bank. The facility bears interest at bank prime rate plus 1% and is secured by a floating charge over all of the Company's properties and assets and is repayable on demand.

6. SHARE CAPITAL

(a) Authorized

Unlimited number of Common shares
Unlimited number of Preferred shares

(b) Issued

	2001		2000	
	Number	Amount	Number	Amount
Common shares				
Balance, beginning of year	28,467,720	$ 54,361,077	24,832,970	$ 32,233,326
Issued for cash pursuant to private placements	–	10,076	2,500,000	15,217,102
Stock options exercised	1,792,500	9,610,500	225,000	1,108,750
Shares acquired under normal course issuer bid	(237,700)	(503,924)	–	–
Warrants exercised	–	–	909,750	5,913,375
Share issue costs (f)	–	(4,827)	–	(111,476)
	30,022,520	$ 63,472,902	28,467,720	$ 54,361,077

(c) The 425,000 warrants outstanding at March 31, 2000, expired during the year. During the March 31, 2000 year 909,750 warrants were exercised on the basis of one warrant plus $6.50 to obtain one common share.

(d) Stock options

The Company has reserved for issue 3,104,000 common shares for granting under option to directors, officers, employees and consultants. The options become 100% vested one or two years after the date of grant and expire two or three years after the date of grant. Stock option transactions for the respective years were as follows:

	2001		2000	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding April 1	2,805,000	$ 5.58	2,272,500	$ 5.28
Granted	2,115,000	5.90	757,500	6.13
Expired	(365,000)	5.66	–	–
Exercised	(1,792,500)	5.36	(225,000)	4.93
Outstanding March 31	2,762,500	$ 5.96	2,805,000	$ 5.58
Exercisable March 31	747,500	$ 6.04	2,047,500	$ 5.38

The following table summarizes stock options outstanding and exercisable under the plan at March 31, 2001.

	Outstanding Options			Exercisable Options	
Exercise Price	Number of Options	Remaining Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$5.45 – 5.90	2,140,000	2.0	$5.88	125,000	$5.57
$6.00 – 6.95	592,500	0.7	$6.18	592,500	$6.18
$7.00 – 7.50	30,000	0.4	$7.33	30,000	$7.33
	2,762,500	1.7	$5.96	747,500	$6.04

Subsequent to year end 135,000 options were exercised, 100,000 options expired and 222,500 options were granted at prices ranging from $7.14 to $9.00 per share.

(e) Net income (loss) and cash flow from operations per share are calculated based on the weighted average number of shares outstanding during the year of 29,705,095 (2000 – 26,621,220).

(f) The total share issue costs in 2000 were $9,282 (2000 – $223,476) net of the estimated deferred tax benefit of $4,455 (2000 – $112,000).

(g) A shareholder rights plan (the "Rights Plan") was adopted by the shareholders on September 15, 1999. The Rights Plan is designed to provide shareholders with sufficient time to evaluate any unsolicited bid to acquire control of the Company and to allow shareholders to receive full and fair value for their shares. In the event that a bid, other than a permitted bid, to acquire 20% or more of the common shares is made, shareholders will become entitled to exercise rights to acquire common shares of the Company at 50% of market value. The Rights Plan expires at the termination of the Company's annual meeting in 2002.

(h) Effective August 22, 2000, the Company began a normal course issuer bid process to purchase the Company's common shares. The bid was approved to purchase up to 10% of the public float of issued and outstanding common shares, or 1,486,264 common shares, and will terminate on August 21, 2001.

During the year ended March 31, 2001, the Company acquired 237,700 common shares, under the normal course issuer bid, for cash consideration totaling $1,441,529. As the consideration paid exceeded the stated value of the shares, the amount of the excess, totaling $937,605, was recorded as a reduction of retained earnings (deficit).

7. INCOME TAXES

The provision for income taxes in the financial statements differs from the result, which would have been obtained by applying the combined federal and provincial tax rate to the Company's earnings before income taxes. This difference results from the following items:

	2001	2000
Income before income taxes	$ 5,758,156	$ 7,644,082
Statutory income tax rate	43.62%	44.62%
Computed expected income taxes	2,511,708	3,410,790
Changes in valuation allowance	2,908,025	(355,738)
Higher tax rate in other jurisdiction	439,694	247,798
Reduction in anticipated rate on previously accumulated differences	(7,085)	–
Provincial capital taxes	12,849	11,842
Non-deductible expenses and other	38,896	(3,500)
Minimum alternative tax in other jurisdictions	–	104,925
Provision for income taxes	$ 5,904,087	$ 3,416,117

The components of the Company's future income tax liability at March 31, 2001 are as follows:

	2001
Future income tax assets	
Future site restoration	$ 27,861
Share issue expenses	172,388
Losses	4,431,802
Valuation allowance	(2,908,025)
	$ 1,724,026
Future income tax liabilities	
Oil and natural gas properties	$ 10,406,788
Net future income tax liability	$ 8,682,762

8. SEGMENTED INFORMATION

The Company's operations are conducted in one business segment, the oil and gas industry. Revenues, operating profits (losses) and net identifiable assets by geographic segments are as follows:

	2001	2000
Revenue		
India	$ 21,101,811	$ 12,225,726
Canada	406,083	344,462
Total	$ 21,507,894	$ 12,570,188
Segment profit (loss)		
India	$ 12,674,931	$ 7,340,148
Canada	184,601	92,392
Nigeria	(7,310,931)	–
Total	5,548,601	7,432,540
Interest and other income	(1,661,187)	(704,322)
Administrative expenses	2,255,562	1,060,088
Foreign exchange gain	(803,931)	(567,308)
Income tax expense	5,904,087	3,416,117
Net income (loss)	$ (145,930)	$ 4,227,965
Total assets		
India	$ 48,837,424	$ 36,774,834
Canada	27,325,440	16,001,686
Nigeria	712	12,503,261
Bangladesh	1,576,801	824,201
Other	398,567	485,836
	$ 78,138,944	$ 66,589,818
Property and equipment		
India	$ 38,574,015	$ 29,136,417
Canada	214,130	201,911
Bangladesh	1,562,775	813,955
Other	395,335	482,703
	$ 40,746,255	$ 30,634,986

Major Customers

Over 69% (2000 – 97%) of the Company's revenue is derived from sales to one customer.

9. CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

During the 2000 fiscal year the Company received $56,064 in government assistance to assist in the training and development of personnel in the Company's foreign operations. The assistance was recorded as a reduction of the related expenditures. Repayment of any, or all, of the grant received is dependent on a number of criteria and is deemed unlikely. No provision for repayment has been recorded.

10. FINANCIAL INSTRUMENTS

Financial instruments of the Company consist mainly of cash, prepaid expenses, accounts receivable, accounts payable, and accrued liabilities. As at March 31, 2001 and 2000 there were no significant differences between the carrying amounts of these instruments.

The Company is exposed to floating interest rates with respect to its bank facility. The nature of the Company's operations expose the Company to fluctuations in exchange rates as its revenue is in both Indian Rupees and US dollars. A portion of the Company's accounts receivable are with joint venture partners in the oil and gas industry and are subject to normal industry credit risks which are somewhat mitigated by the fact that some of the partners are government owned companies. The Company does not enter into futures contracts with respect to its production. Gas is sold under fixed price fixed term contracts while oil is sold at prevailing world market prices.

The Company monitors and, when appropriate, utilizes financial instruments to manage its exposure to this risk to the extent possible. As at March 31, 2001 the Company had committed to purchase US$8 million worth of Canadian dollars over the following twelve months at an average rate of US$1= $1.5475 Cdn. These instruments are exposed to fluctuations in prices and rates, but by nature of being hedges of an actual or anticipated transaction, any gains or losses on the hedged transaction are offset by gains or losses on the actual transaction. At March 31, 2001 the fair value of the hedge was US$224,800.

11. SUBSEQUENT EVENTS

(a) The Company has received a 100% interest in the Surat block in Gujarat, India. The Company signed the Production Sharing Contract with the Indian Government in July 2001, which includes a two year drilling and seismic commitment estimated to cost between $15 and $20 million.

(b) The Company has temporarily suspended sales to Essar, its single largest customer, due to its failure to comply with its contractual obligations.

Five Year Historical Review

FINANCIAL

($ thousands, except where noted)	Year ended March 31				
	2001	2000	1999	1998	1997
Petroleum and natural gas sales	**21,508**	12,570	7,023	4,192	1,670
Cash flow	**12,238**	7,615	3,660	1,842	683
Per share basic ($)	**0.41**	0.29	0.15	0.09	0.04
Per share fully diluted ($)	**0.41**	0.29	0.15	0.09	0.04
Net earnings (loss)(1)	**(146)**	4,228	436	(2,411)	224
Per share basic ($)	**Nil**	0.16	0.02	(0.12)	0.01
Per share fully diluted ($)	**Nil**	0.16	0.02	(0.12)	0.01
Total assets	**78,139**	66,590	49,695	36,326	16,465
Shareholders' equity	**61,974**	56,350	29,995	22,207	14,831
Capital expenditures	**11,704**	11,657	9,867	10,321	11,612
Common shares outstanding (thousands)					
Basic	**30,022**	28,468	24,833	21,953	20,123
Fully diluted	**32,785**	31,698	27,855	25,903	23,333

OPERATIONS

($ thousands, except where noted)	Year ended March 31				
	2001	2000	1999	1998	1997
Production					
Crude oil					
Yearly (mbbls)	**14**	14	7	18	25
Daily (bbls/d)	**39**	37	20	49	58
Oil and liquids price ($/bbl)	**38.08**	30.64	19.61	24.47	22.70
Natural gas					
Yearly (mmcf)	**3,441**	1981	1,288	681	256
Daily (mmcf/day)	**9.4**	5.4	3.5	1.9	0.7
Plant outlet gas price ($/mcf)	**4.90**	4.56	4.17	3.76	3.27

(1) In the year ended March 31, 2001, the Company wrote off a long-term receivable of $7.3 million. In the March 31, 1999 and 1998 years, the Company wrote down its long-term investments by $1.1 million and $2.65 million respectively. Also, in the year ended March 31, 1998 the Company wrote down its oil and gas properties by $0.4 million.

Corporate Information

OFFICERS/DIRECTORS

Edward S. Sampson
Executive Chairman, Director

Robert N. Ohlson
Ba.Sc., P.Geol.,
President, Director

William T. Hornaday
Vice-President International Operations

Paul D. Wright, CA,
Vice-President Finance
and Chief Financial Officer

Dr. R.A. McPherson
Ph.D., P.Geol., P.Eng.
Director

Robert R. Hobbs, CMA
Director

Conrad P. Kathol
B.Sc., P.Geol., P.Eng.
Director

Wendell W. Robinson
Director

Back, left to right: Paul Wright, Ed Sampson, Robert Ohlson
Front, left to right: Mark Dantzer, Cindy Thornton, Irene Strybosch, William Hornaday

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Calgary, Alberta

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Computershare
Calgary, Alberta and Toronto, Ontario

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BANKING INSTITUTIONS

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Calgary, Alberta

ABN Amro Bank
ICICI Limited
Baroda, India

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Ryder Scott Company
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

LISTING AND TRADING SYMBOL

The Toronto Stock Exchange
Symbol: NKO

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